

19 May 2021

Nova Energy Limited
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Submissions
Electricity Authority
PO Box 10041
Wellington 6143
By email: UTS@ea.govt.nz

Re: Cross-submission on proposed actions to correct UTS 2019

Nova Energy has reviewed the submissions on the proposed process to correct for the UTS in December 2019. Nova Energy (Nova) makes this cross-submissions on its own behalf as well as agent on behalf of its related company, Todd Generation Taranaki Limited (TGTL), owner of the peaker plants McKee Power Plant and Junction Road Power Plant.

Those submissions responding to Q.13 *“that generators, other than those with ‘reset offers’, that were dispatched to generate electricity at prices above the final reset prices should be treated as constrained on”* responded positively to that question. Most parties will be unaware however of the implications of that for a thermal plant that is offered on a unit commitment basis.

The exception is Contact Energy, which is an operator of thermal plants and therefore directly cognisant of the issue. Contact Energy notes in response to Q.13 *“...the EA need to consider generation that is offered at pricing below marginal costs for operational reasons such as minimum operating volumes. For example, both TCC and Stratford peakers will often have volume offered at \$0.01/MWh to ensure the plant is dispatched at a safe and efficient level. These decisions are made based on forecast price expectations.”*

Mercury Energy recognised this point in an earlier submission on the UTS.

This confirms the point raised by Nova in its submission on correcting for the UTS. Should the constrained on volumes be remunerated at the reset wholesale spot prices for the McKee Peaker Plant (MPP), then that will result in an operating loss for MPP over the period of the UTS because its fuel and operating costs exceeded its offer prices. The appropriate solution is to preserve MPP’s position by amending the offer price to equate with the final prices determined by the market at the time, otherwise TGTL would effectively be penalised for participating in the market during the UTS period.

I am available to discuss this issue in more detail should that be necessary.

Yours sincerely



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